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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name Deaver, Michael: Files

Withdrawer

DLB 2/22/2011

File Folder [WORKING NOTEBOOK ON] 1983 SUMMIT OF INDUSTRIALIZED NATIONS (3)

FOIA

F97-066/18

Box Number 202

COHEN, D.

2

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
104965	MEMO	WILLIAM CLARK TO THE PRESIDENT, RE: YOUR ROLE AS CHAIRMAN OF THE SUMMIT	8	ND	B1
104967	MEMO	GEORGE SHULTZ, DON REGAN TO THE PRESIDENT, RE: WILLIAMSBURG SUMMIT: SCOPE PAPER	7	ND	B1
104968	PAPER	OVERVIEW PAPER: TRADE, DEBT AND FINANCE	6	ND	B1
104969	PAPER	OVERVIEW PAPER: ECONOMIC POLICY AND MULTILATERAL SURVEILLANCE	5	ND	B1
104970	PAPER	OVERVIEW PAPER: EAST-WEST ECONOMIC RELATIONS	5	ND	B1
104971	CHART	RE: WILLIAMSBURG SUMMIT POSITIONS	1	5/20/1983	B1
104972	REPORT	INTERNATIONAL ECONOMIC & ENERGY WEEKLY	3	5/20/1983	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

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104965 MEMO

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B1

WILLIAM CLARK TO THE PRESIDENT, RE: YOUR
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104967 MEMO

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GEORGE SHULTZ, DON REGAN TO THE
PRESIDENT, RE: WILLIAMSBURG SUMMIT:
SCOPE PAPER

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104968	PAPER OVERVIEW PAPER: TRADE, DEBT AND FINANCE	6	ND	B1

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104969	PAPER OVERVIEW PAPER: ECONOMIC POLICY AND MULTILATERAL SURVEILLANCE	5	ND	B1

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104970	PAPER OVERVIEW PAPER: EAST-WEST ECONOMIC RELATIONS	5	ND	B1

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THEMES PAPER

I. SUMMARY INTRODUCTION

This is a time of real improvement in economic circumstances. Recovery is underway, and this fact increases our mutual confidence that it will soon spread to all countries, industrial and developing. The challenge is to ensure that this recovery endures and reverses a decade of cumulative inflation and unemployment. In this effort, we are mindful of the basic interrelationships that link our economies and the world economic system:

- The link between sustainable domestic growth and the open trading system.
- The link between convergence of domestic policies towards non-inflationary sustainable growth and greater exchange rate stability.
- The link between open markets and the availability of financing.
- The link between international economic cooperation and world progress.

To meet the challenge of an enduring recovery for ourselves and future generations requires steady and purposeful action over both the short and longer term, across a range of policies that exploit and reinforce these interrelationships.

- Promoting conditions for growth, employment and job creation, structural adjustment, and acceptance of technological development.
- Maintaining the fight against inflation with the objective of achieving lower interest rates and more stable exchange rates while intensifying consultations on economic policies and market conditions.
- Supporting the international financial system and strengthening world economic cooperation and institutions.
- Reversing protectionism and beginning to work to achieve further trade liberalization.
- Recognizing that prosperity is more than material gain, but also reflects our basic shared values of political freedom, economic opportunity, cultural creativity, and human dignity, and contributes to the defense of these values which also guide our economic and other relations with Eastern countries.

II. ASSESSMENT: REALISTIC OPTIMISM

Improvements are undeniable:

- Major successes have been achieved in reducing inflation.
- Interest rates have been significantly reduced.
- Productivity increases are being registered.
- Some successes in controlling budget expenditures are being achieved.
- Consensus exists to reduce inflation and unemployment on the basis of sustainable growth promoting policy convergence, further reduction of interest rates and greater stability of exchange rates.
- Measures to reduce dependence on oil have helped to bring about a decline in oil prices.
- Recovery in our countries spreading to others will help ensure the revival of world trade and easing of the debt burden of many developing countries.

However, unemployment, especially among young people, remains intolerably high and continues to increase in some countries. It can be brought down only if an enduring recovery is achieved. Serious problems remain which, if untended, will endanger the prospect of an enduring recovery.

- Differences in inflation among countries remain too great.
- Inflationary expectations, together with unacceptably high current and future budget deficits and the possibility of excessive and volatile monetary growth, keep interest rates too high, threatening to inhibit investment and recovery and producing distortions and volatility in exchange rates.
- Protectionist pressures threaten our open trade and financial system and prospects for recovery in both industrial and developing countries.
- Conditions in many developing countries remain much more acute than in our own; in many of them, unprecedented international debt burdens, exacerbated by high interest rates and low commodity prices, continue to constrain trade and, even in some cases, to threaten financial and related political stability and create human hardship.

III. COMMON APPROACH TO A SUSTAINED RECOVERY

No single country, policy or immediate action can ensure a quick or sustained recovery. Success requires a common approach involving actions taken now across a broad range of policy areas, anchored within a framework of longer-term policy goals and decisions.

Actions Now:

- Enhance the intensive consultation process initiated at Versailles to promote convergence of economic conditions in key currency countries and thereby contribute to greater exchange rate stability.
- Develop cooperative consultations on policies and exchange market conditions and, while retaining the freedom to operate independently, be willing to intervene in exchange markets in a coordinated manner in instances where we agree such intervention would be helpful.
- Encourage governments to reduce excessive budget deficits, especially by reducing expenditures, thereby lowering inflationary expectations and high interest rates.
- Pursue appropriate non-inflationary growth of monetary aggregates to achieve and maintain low inflation and interest rates.
- Halt and reverse protectionism and make use of favorable conditions provided by recovery progressively to relax and dismantle trade barriers and trade-distorting domestic measures, including those related to trade in high technology products.
- Give new impetus to resolve current problems in agricultural trade, conflicts of jurisdiction and the need to achieve a safeguard agreement (by October 1983) as mandated by the GATT Ministerial.
- Agree to press forward with the GATT work program on trade in services.
- Begin work now to achieve further trade liberalization in the GATT, focusing particularly on trade with and among the developing countries, and on their ability to export and so to service their debt.

- Secure early ratification of the increase in IMF and GAB resources and provide interim financing as appropriate.
- Reaffirm commitments to provide agreed funding levels for IDA and the other multilateral development banks.
- Continue with agreed strategy, and strengthen cooperation, for managing current debt problems, including effective adjustment, adequate private and official financing, and sustained, non-inflationary recovery in industrial countries.
- Welcome openness to dialogue expressed by developing countries at New Delhi and Buenos Aires conferences and engage constructively in UNCTAD VI, emphasizing our program for a durable recovery and practical proposals to manage debt problems, facilitate adjustment, promote trade, revive commodity markets, encourage more private investment in, and official assistance for, developing countries and strengthen the dialogue with developing countries in appropriate fora.
- Agree to consult among each other and with other countries to address interrelationships among growth, trade, and finance in the world economy and to encourage better coordination among international economic institutions.
- Implement agreed conclusions for early action reflected in the results of work programs on East-West economic relations. (Identify significant results of pre-Summit meetings.)

IV. LONGER-TERM POLICY GOALS AND DECISIONS

- Sustain fight against inflation and structural budget deficits to encourage a higher level of investment and new job creation.
- Pursue the consultative arrangement agreed at Versailles to promote economic convergence toward low inflation and sustained growth and thereby achieve greater exchange rate stability, continuing with our agreement on exchange market intervention, in the context of an open trading, investment and financial system.
- Invite Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

-- Promote technological development and trade, including their public acceptance, and in particular the implementation of the specific projects included in the program for cooperation initiated at Versailles.

-- Promote structural adjustment and its public acceptance, in order to enhance competition and the flexibility of markets and to improve the allocation of resources, by all appropriate means including revitalization of training and the encouragement of mobility.

-- Invite Ministers of Trade, in consultation with the Director General of the GATT, to define the conditions for improving the open multilateral trading system, including trade between developed and developing countries, and to consider the possibility of more frequent Ministerial meetings in the GATT to maintain urgency in this process.

-- Examine ways to improve the effectiveness of the development process and structural adjustment by assuring non-inflationary flows of public and private finance and investment to the developing countries, with special attention to an adequate flow of resources to the poorer countries, both bilaterally and through IDA, the IBRD and similar institutions.

-- Continue efforts to conserve energy and develop economic alternative energy resources so as to ensure Western energy security and enhance energy production in developing countries.

-- Find practical ways to promote increasing food production in developing countries.

-- Work together to find ways, without discouraging growth and technological development, to protect and preserve natural resources and to reduce the threat of pollution from industrial processes (e.g., acid rain).

-- Promote cooperation in the development of human resources, including education and training and the improvement of health.

-- Continue work in appropriate existing fora to develop agreed analysis of our economic relations with the East, with attention to our shared security concerns, and on this basis pursue independent policy actions consistent with agreed principles and common analysis reflecting the fact that these relations should be compatible with the basic values and security concerns of Western countries.

DRAFT STATEMENT

Strengthening Monetary Cooperation for Stability and Growth

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving noninflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic conditions, in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures as agreed at Versailles, through the following approach:

A. We are focusing on nearer-term policy actions leading to convergence of economic conditions in the medium-term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the mandate given to us at Versailles, we are focusing our attention on issues in the monetary

and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and targets that will be kept under review include:

(1) Monetary Policy. Disciplined noninflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates.

(2) Fiscal Policy. Discipline over government expenditures, particularly transfer payments. We will aim to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets.

(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, and accommodating continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and

improved international cooperation, where appropriate,
on structural adjustment measures (e.g. regional,
sectoral, energy policies).

IV. We shall continue to assess together regularly in this
framework the progress we are making, consider any corrective
action which may be necessary from time to time, and react
promptly to significant changes.

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104971	CHART RE: WILLIAMSBURG SUMMIT POSITIONS	1	5/20/1983	B1

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PUBLIC OPINION ON SOME WILLIAMSBURG SUMMIT ISSUES

USIA-commissioned national public opinion surveys taken during April in the participating countries, except Canada, show:

THE INTERNATIONAL ECONOMIC SITUATION

PUBLIC CONCERNS: Pessimism Abounds.

Everywhere, majorities consider their country to be in poor economic health. The figures for Italy (89%), France (80%) and Japan (67%) are particularly striking.

Jobs, by far, rank as the biggest economic concern in Europe. And large majorities foresee no appreciable drop in unemployment in the coming year.

Expectations for economic growth are predominantly bleak, except in Britain. There a plurality expects it to be higher a year from now.

Overwhelmingly, deficits are considered a serious problem. Only in France, however, does prevailing opinion endorse reducing government deficits at the expense of cuts in social welfare benefits.

PROBLEMS FOR THE U.S.: U.S. Premises Questioned

Recognition of the ongoing U.S. recovery lags. The West German and Japanese publics predominantly perceive the U.S. economy as ailing. British as well as French opinion is divided.

Outside of Italy, Europeans tend to lack confidence in wise U.S. leadership to solve global economic problems. Significantly, in Japan confidence prevails.

Only in Japan and in Britain, the U.S. is largely seen as cooperative in solving bilateral economic problems. Elsewhere, the opposite image exists. Moreover, in all countries U.S. economic policies tend to be perceived as more harmful than helpful to their own country.

OPPORTUNITY FOR THE U.S.: Fertile Soil for Economic Cooperation

Very large majorities believe their economic health depends on the state of the U.S. economy.

TRADE

PUBLIC CONCERNS: Imports Are Evil.

By very substantial margins, European publics view imports as costing jobs rather than reducing domestic prices. In fact, competition from imports is seen as the first or second leading cause of current unemployment.

PROBLEMS FOR THE U.S.: Some Obstacles to Free Trade

Italians excepted, publics perceive the U.S. as impeding their country's sales of manufactured products to the U.S. market. Still Japan is considered much more culpable on this score.

West European public opinion decisively favors agricultural subsidies to prevent sales losses of their farm products abroad. And except in Britain, the U.S. is perceived as uncooperative on such sales to third countries.

The link between their own prosperity and the economic well-being of developing countries is widely recognized. Only one in 10, however, sees industrial world trade barriers as a major cause for the poorer countries' economic plight.

OPPORTUNITIES FOR U.S.: Protectionism Rejected

Public opinion everywhere widely endorses free trade principles over restrictive practices.

Contrary to their own preferences, the Japanese predominantly see their own government as favoring trade restrictions.

Some three Japanese in four agree that liberalizing agricultural imports would lower food prices. The public also favors liberalization but by a much narrower margin because of concern for Japanese farmers.

EAST-WEST ECONOMIC RELATIONS

PROBLEMS FOR U.S.: Divergent Assumptions

With respect to Soviet trade, the interests of their own country and those of the U.S. are widely perceived as dissimilar. In keeping with these perceptions, the U.S. is generally considered uncooperative on Soviet trade.

Outside of France, West Europeans clearly believe that more trade with the Soviet Union will reduce East-West tensions rather than increase their vulnerability to Soviet political pressure. The French are divided and uncertain about this.

On selling advanced technology to the Soviet Union, opinion is mixed. The Japanese and British public tend to favor restrictions, Italians tend to oppose them and the French and Germans are split on the issue.

OPPORTUNITY FOR THE U.S.: Little Support for Going It Alone

Sentiment for coordinating Soviet trade policy with the U.S. over making separate deals prevails everywhere, except in Italy. Public support for coordinated policies, even at the risk of losing some trade, is particularly pronounced in Japan.